

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1505-03
Bill No.: HCS for HB 591
Subject: Cities, Towns, and Villages; Counties; State Tax Commission; Taxation and Revenue - Property
Type: Original
Date: April 7, 2009

Bill Summary: Wold authorize citizens to petition to lower tax rate ceilings of political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0 or (Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Auditor** (SAO) assumed a previous version of this proposal would have the potential to increase the number of ballot initiatives that SAO reviews as a part of the property tax certification process. The SAO individually reviews each ballot affecting property tax rates prior to processing. Many ballots require extensive review to determine the meaning and effect on the tax rate ceiling. Given the small size of many political subdivisions, it is probable that many could easily meet the requirement with 10% of voters signing a petition to vote on the tax ceiling. An increase in the number of property tax election ballot initiatives would therefore, result in an increase in the number of ballots we are to review. SAO officials estimate the cost to implement the proposal as one FTE Staff Auditor I Level.

SAO officials provided an estimated cost to implement the proposal including the additional employee and related equipment and expenditures totaling \$51,505 for FY 2010, \$56,438 for FY 2011, and \$58,131 for FY 2012.

Oversight assumes there would be only a limited number of such petitions and that the resulting ballot reviews could be performed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the SAO workload, resources could be requested through the budget process.

Officials from the **Office of Administration, Administrative Hearing Commission** assume this proposal would have no impact on their organization.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed a previous version of this proposal would result in no added cost to their organization. BAP officials stated that the proposal would provide taxpayers an opportunity to petition local governing bodies to hold an election to lower their tax rate ceiling, and BAP officials assumed the proposal would have no impact on general and total state revenues.

Officials from the **Department of Revenue** assume this proposal would have no impact on their organization.

ASSUMPTION (continued)

Officials from the **Metropolitan Community Colleges** (MCC) assumed a previous version of this proposal could have a negative impact on their organization. MCC officials stated that lowering their levy rate by one cent would reduce their revenues by \$1.3 million.

Officials from **Linn State Technical College, Cass County, St. Louis County**, and the **City of Centralia** assume this proposal would have no fiscal impact on their organization.

Officials from the **City of Joplin** assumed a previous version of this proposal could have a severe fiscal impact on cities as a whole.

Officials from the **City of Kansas City** assume this proposal could have a negative fiscal impact on their organization. If the voters were to lower the tax rate ceiling the city would lose approximately \$700,000 per penny of levy reduction.

Although officials from the **Department of Elementary and Secondary Education** did not respond to our request for information, they noted that a similar proposal (SB 174, LR 966-01) would restore the authority removed in SB 711 (2008) to allow political subdivisions to use as the authorized tax levy the greater of the rate in effect in 1984 or the most recent voter-approved levy. It would also allow those political subdivisions to levy a rate that will generate revenue in an amount equal to the revenue in 2007 exclusive of any new construction and improvements for 2008 and 2009. School districts would be allowed to use the highest tax rate subsequent to 1980. There would appear to be no fiscal impact for the state in the school foundation formula.

Officials from the **Office of the Secretary of State** (SOS) assume this proposal could result in a negative impact to a library district's tax revenues. The impact on individual libraries could vary significantly depending on the district's assessed valuation, growth in new construction and the extent to which the tax rate ceiling would be rolled back by the petition.

ASSUMPTION (continued)

SOS officials also stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight notes that this proposal would require local governments to hold an election on a proposal to lower the local government's tax rate ceiling whenever the governing body receives a petition signed by at least thirty-three percent of the registered voters. The petition would specify the proposed tax rate ceiling for such local government. If at least sixty-six percent of the votes cast are in favor of lowering the tax rate ceiling, the lowered tax rate ceiling would become effective. If fewer than sixty-six percent of the votes cast are in favor of lowering the tax rate ceiling, then the existing tax rate ceiling would remain effective until that tax rate ceiling is revised as provided by existing provisions. Debt service levy rates would not be subject to the petition process.

Oversight notes that this proposal would also delay some of the changes to the assessment process required by SB 711 (2008) and would change other requirements for property tax filings. The proposal would also amend the current method for setting the maximum allowable property tax rate, and change the homestead tax exemption base year for some owners.

Oversight notes that local governments would still be subject to other tax rate limitations and assumes that this proposal would have a limited fiscal impact to most local governments; however, Oversight assumes that the impact on some local governments could be significant. Oversight assumes the overall fiscal impact could be significant and will indicate an unknown negative impact for local governments for fiscal note purposes. Oversight assumes this proposal would become effective after 2009 tax rates are set and would become effective for 2010 tax rates collected in December 2010 (FY 2011).

ASSUMPTION (continued)

Oversight assumes the proposal could result in additional election costs for local governments which might be significant for local governments if the election could not be coordinated with regularly scheduled election dates. Oversight will indicate an unknown local government cost for elections beginning in FY 2010.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL GOVERNMENTS			
<u>Additional cost</u> - levy rate elections	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue reduction</u> - tax rate limit changes	\$0	(Unknown)	(Unknown)
<u>Revenue reductions</u> - voter mandated tax ceiling reductions	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or (Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal could have an impact on small businesses if the voters successfully petition and vote a lower tax rate.

FISCAL DESCRIPTION

This proposal would authorize citizens to petition to lower tax rate ceilings of political subdivisions.

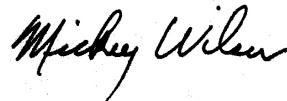
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of the State Auditor
Office of Administration
 Administrative Hearing Commission
 Division of Budget and Planning
Department of Revenue
Linn State Technical College
Metropolitan Community Colleges
Cass County
St. Louis County
City of Centralia
City of Joplin
City of Kansas City

NOT RESPONDING

Department of Elementary and Secondary Education



Mickey Wilson, CPA
Director
April 7, 2009